

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 91-562-C - ORDER NO. 92-332
MAY 4, 1992

IN RE: Application of WilTel, Inc. and)	ORDER APPROVING
WTG-East, Inc. for Approval to)	TRANSFER OF
Transfer Authority of WTG-East,)	AUTHORITY AND
Inc. to WilTel, Inc. and Appli-)	GRANTING
cation of WilTel, Inc. to)	CERTIFICATE
Introduce New Service Offerings.)	

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of the Application of WilTel, Inc. (WilTel or the Company) requesting a Certificate of Public Convenience and Necessity to provide intrastate interLATA telecommunications services in the State of South Carolina. In addition, WilTel and WTG-East, Inc. (WTG-East) request that the Commission approve the transfer of the authority currently held by WTG-East to WilTel. This Application was filed pursuant to S.C. Code Ann. §58-9-280 (1976), S.C. Code Ann. §58-9-310 (Supp. 1991), and the Regulations of the Public Service Commission of South Carolina.

The Commission's Executive Director instructed WilTel to publish a prepared Notice of Filing in newspapers of general circulation in the affected areas one time. The purpose of the Notice of Filing was to inform interested parties of WilTel's Application and the manner and time in which to file the

appropriate pleadings for participation in the proceeding. WilTel complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. Petitions to Intervene were filed by Southern Bell Telephone & Telegraph Company (Southern Bell) and the South Carolina Department of Consumer Affairs (the Consumer Advocate). By letter filed April 15, 1992, the Consumer Advocate stated it was satisfied with WilTel's proposed tariff. Consequently, the Consumer Advocate did not appear at the hearing.

A hearing was commenced on April 14, 1992, at 11:00 a.m. in the Commission's Hearing Room. The Honorable Marjorie Amos-Frazier, Chairman, presided. Brad Mutschelknaus, Esquire, and Pamela Seay, Esquire, represented WilTel. Caroline N. Watson, Esquire, represented Southern Bell; and Gayle B. Nichols, Staff Counsel, represented the Commission Staff.

After a full consideration of the applicable laws, the Application, and the evidence presented by each of the parties, the Commission makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. WilTel is a Delaware Corporation qualified to do business as a foreign corporation in South Carolina. WilTel is a wholly-owned subsidiary of Williams Telecommunications Group, Inc. which is, in turn, a wholly-owned subsidiary of The Williams Companies, Inc.

2. WTG-East is also a wholly-owned subsidiary of Williams

Telecommunications Group, Inc. WTG-East has authority to provide private line telecommunications service in South Carolina. Order No. 90-110, Docket No. 89-366-C (January 29, 1990).

3. Williams Telecommunications Group, Inc. is presently planning and implementing a corporate restructuring under which several of its existing subsidiaries, including WTG-East, will be merged into WilTel. The proposed restructuring does not result in any change in ownership, control, or service levels of WilTel. The proposed restructuring is intended to increase efficiency, reduce costs, and enhance the managerial effectiveness of WilTel.

4. WilTel seeks authority to offer a full range of interexchange telecommunications services and operator services to the public. WilTel seeks to provide these services over its own transmission facilities or through the resale of services offered by other interexchange carriers or local exchange telephone companies in areas which cannot currently be served by WilTel's own network. WilTel owns or leases fiber optic and digital microwave facilities that traverse South Carolina on a north-south axis through Columbia and facilities connecting Columbia, Charleston, Greenville, Myrtle Beach, and Florence.

5. WilTel currently intends to offer private line, 800, MTS, calling card, operator assistance, directory assistance, WATS or WATS-like, and 800 directory assistance services. The tariff filed by WilTel lists its effective, rather than its actual rates. WilTel's effective rates are less than those of AT&T.

6. WilTel plans to offer Virtual Private Network (VPN)

services at some point in the future. WilTel stipulated that it would file a tariff addressing any VPN offering prior to either selling or reselling such a service. WilTel also stipulated that it would only sell or resell VPN services on an interLATA basis. Based upon this stipulation, Southern Bell withdrew the pre-filed testimony of its witness.

7. WilTel does not seek authority to provide intraLATA service. According to Hearing Exhibit 2, WilTel will use Feature Group D (FGD) as its principal access method. This access method screens and diverts all intraLATA calls to the local exchange companies for completion.

8. Southern Bell asserts that any local intraLATA operator service calls which are placed through WilTel should be handed off to the local exchange company.

9. For 1991 The Williams Company, Inc. had total revenues exceeding \$2.1 billion and an operating profit of \$306 million. Over the same period Williams Telecommunications Group, Inc. had an operating profit of \$82.3 million. Williams Telecommunications Group, Inc.'s total investment in communications plant exceeds \$800 million. WilTel owns and operates a Network Control Center which was completed in 1989 at a cost of \$2.4 million.

10. WilTel, either directly or through its affiliates, has provided interstate telecommunications services since 1986. WilTel or its affiliates have been authorized to provide intrastate services in 37 other states.

11. WilTel asserts it is one of only four firms which has a

coast-to-coast fiber optic network, providing an important addition to the nation's telecommunications infrastructure. WilTel contends that, in addition to the direct benefits delivered to its own customers in South Carolina, the South Carolina public will benefit because WilTel's presence will increase the competitive pressure felt by existing interexchange carriers and thereby spur them to lower costs and improve services.

12. WilTel has asked that the Commission allow it to maintain its books according to Generally Accepted Accounting Principles and to allow it to keep its books and records at its headquarters in Tulsa, Oklahoma.

CONCLUSIONS OF LAW

1. The Commission concludes that WilTel has the experience, capability, and financial resources to provide the services described in its Application and by its witness' testimony.

2. The Commission concludes that South Carolina telephone users and the State itself will benefit by the services intended to be provided by WilTel. Accordingly, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to WilTel to provide intrastate, interLATA service through the sale or resale of intrastate Wide Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), Foreign Exchange Service, or any other services authorized for the sale or resale by tariffs of facility-based carriers approved by the Commission.

3. The Commission concludes that the private line authority granted to WTG-East should be transferred to WilTel.

4. The Commission recognizes that WilTel does not intend to sell or resell telecommunications services for the purpose of making intrastate intraLATA calls. However, in order to prevent the unauthorized transmittal of intraLATA long distance traffic, WilTel shall be required to provide its customers with access by use of Feature Group D Switched Access. Should WilTel complete any unauthorized intrastate intraLATA calls then the Company will be required to compensate the local exchange companies for the unauthorized calls it carries pursuant to Commission Order No. 86-793 in Docket No. 86-187-C.

5. WilTel may provide operator services for interLATA calls only. Any "0+" or "0-" intraLATA or local calls shall be handed off to the local exchange company.

6. The Commission adopts a rate design for WilTel for its services which includes only maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communication Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984). WilTel shall also file a price list which sets forth its effective rates.

7. WilTel shall not adjust its rates below the approved maximum level without notice to the Commission and to the public. WilTel shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes.

Any proposed increase in the maximum rate level reflected in the tariff which would be applicable to the general body of WilTel's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp. 1991).

8. WilTel shall file its tariff and an accompanying price list in a loose leaf binder to reflect the Commission's findings within thirty (30) days of the date of this Order. Except as noted by this Order, WilTel shall insure that all provisions within its tariff, specifically its provision regarding customer deposits, comply with the Commission's Rules and Regulations.

9. WilTel is subject to access charges pursuant to Commission Order No. 86-584.

10. With regard to WilTel's resale of services, an end user should be able to access another interexchange carrier or operator service provider if he so desires.

11. WilTel shall resell the services of only those interexchange carriers or local exchange company's authorized to do business in South Carolina by this Commission. If WilTel changes underlying carriers, it shall notify the Commission in writing.

12. WilTel shall file surveillance reports on a calendar or fiscal year basis with the Commission as required by Order No. 88-178 in Docket No. 87-483-C. The proper form for these reports is indicated on Attachment A.


13. WilTel may keep its books and records at its headquarters in Tulsa, Oklahoma, provided that any and all

documentation shall be made immediately available in South Carolina upon the request of the Commission or the Commission Staff.

14. Although the Commission reserves the right to require WilTel to publish its financial reports in accordance with the FCC's Chart of Accounts, for present purposes WilTel may keep its financial reports in accordance with Generally Accepted Accounting Principles so long as WilTel is able to comply with the Commission's financial reporting requirements.

15. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director
(SEAL)

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ATTACHMENT A

ANNUAL INFORMATION ON SOUTH CAROLINA OPERATIONS
FOR INTEREXCHANGE COMPANIES AND AOS'S

(1) SOUTH CAROLINA OPERATING REVENUES FOR THE 12 MONTHS ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.

(2) SOUTH CAROLINA OPERATING EXPENSES FOR THE 12 MONTHS ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.

(3) RATE BASE INVESTMENT IN SOUTH CAROLINA OPERATIONS* FOR 12 MONTHS
ENDING DECEMBER 31 OR FISCAL YEAR ENDING _____.

*THIS WOULD INCLUDE GROSS PLANT, ACCUMULATED DEPRECIATION,
MATERIALS AND SUPPLIES, CASH WORKING CAPITAL, CONSTRUCTION WORK IN
PROGRESS, ACCUMULATED DEFERRED INCOME TAX, CONTRIBUTIONS IN AID OF
CONSTRUCTION AND CUSTOMER DEPOSITS.

(4) PARENT'S CAPITAL STRUCTURE* AT DECEMBER 31 OR FISCAL YEAR ENDING
_____.

*THIS WOULD INCLUDE ALL LONG TERM DEBT (NOT THE CURRENT PORTION
PAYABLE), PREFERRED STOCK AND COMMON EQUITY.

(5) PARENT'S EMBEDDED COST PERCENTAGE (%) FOR LONG TERM DEBT AND
EMBEDDED COST PERCENTAGE (%) FOR PREFERRED STOCK AT YEAR ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.

(6) ALL DETAILS ON THE ALLOCATION METHOD USED TO DETERMINE THE
AMOUNT OF EXPENSES ALLOCATED TO SOUTH CAROLINA OPERATIONS AS WELL
AS METHOD OF ALLOCATION OF COMPANY'S RATE BASE INVESTMENT (SEE #3
ABOVE).